

## Exhibit A – Frequently Asked Questions (FAQs)

The FAQs, information and examples provided are solely to assist lenders in implementing non-compliant IRRRL cure plans. Nothing in this document supplements, overrides, or supersedes any provisions of law, applicable statutes, regulations, or VA policies and by no means are comprehensive.

### **Question 1: Must we cure loans that did not meet recoupment because the IRRRL either resulted in an increased principal and interest payment due to a lower term or refinanced from an adjustable rate to a fixed rate?**

Yes, all refinancing loans originated on or after May 25, 2018, must comply with requirements of Public Law (PL) 115-174. The law does not allow VA to guaranty IRRRLs that do not meet the recoupment requirement. IRRRLs with a term reduction, or that refinanced from an adjustable rate to a fixed rate, in which the principal and interest payment is not reduced, can only be made if the Veteran has incurred no fees, closing costs, or expenses that must be recouped under the law. Lenders should be following the requirements outlined in the statute and VA Circular 26-19-22, dated August 8, 2019. Some lenders have incorrectly cited VA Circular 26-18-1 (which pre-dates PL 115-174) suggesting that certain IRRRLs do not need to meet recoupment. Circular 26-18-1, however, only discusses when lenders have to present recoupment disclosure information to the Veteran. Neither this Circular, nor VA Circular 26-18-13, state that such loans are exempt from recoupment under PL 115-174.

### **Question 2: If we choose to cure with a no cost refinance, does the loan have to meet the seasoning requirements of PL 115-174?**

Any new refinance loan must meet loan seasoning requirements. For IRRRLs and Type I Cash-Out Refinance loans, lenders should follow the loan seasoning requirements outlined in Public Law 116-33, *Protecting Affordable Mortgages for Veterans Act of 2019 (formerly S.1749)*. For Type II Cash-Out Refinance loans, lenders should follow VA regulatory requirements outlined at 38 CFR 36.4306.

### **Question 3: VA Circular 26-18-3 (May 25, 2018) states that all VA-guaranteed loans must be seasoned 210 days after the *date on which the first payment is made on the loan* before refinancing to an IRRRL. VA Circular 26-19-22 (August 8, 2019) states that all VA-guaranteed loans must be seasoned 210 days after the *due date of the first monthly payment of the loan being refinanced.* Which requirement do we have to meet for the loans issued prior to Circular 26-19-22?**

On July 25, 2019, Protecting Affordable Mortgages for Veterans Act of 2019, PL 116-33, amended the statute at 38 U.S.C. 3709 to add the clarification that seasoning would apply 210 days after the date on which the first payment due date was made. Similar to PL 115-174, VA will apply this change to all loan applications taken on or after the date of enactment. As such, all IRRRL applications taken on or after July 26, 2019, must be seasoned based on the requirements announced in Circular 26-19-22. For purposes of the IRRRL review, any loans

closed on or after May 25, 2018, and prior to August 8, 2019, would necessarily follow the guidance announced in our initial Circular (210 days after the actual payment date).

**Question 4: If the loan was previously reviewed by VA, how should it be handled if we discover that it is not compliant with PL 115-174?**

While some loans may have been previously selected for review by VA, the scope of this project is specifically focused on ensuring overall compliance with the requirements of PL 115-174. As such, lenders must provide evidence that all IRRRL loan applications taken on or after May 25, 2018, are fully compliant with the requirements of the statute. Lenders are required to self-report all non-compliant IRRRLs, in accordance with the attached Circular, via email to the Regional Loan Center (RLC) of jurisdiction for your corporate office. The email addresses for each of the RLCs are located at: [https://www.benefits.va.gov/HOMELOANS/contact\\_rlc\\_info.asp](https://www.benefits.va.gov/HOMELOANS/contact_rlc_info.asp).

**Question 5: We reviewed the files in question, and it appears that there was an error when entering loan data into WebLGY. Specifically, we incorrectly entered all fees paid by the borrower and/or the closing costs and failed to exclude certain fees, expenses and closing costs, as outlined in VA Circular 26-19-22. How do we go about fixing this error?**

Lenders should review WebLGY and their internal systems to determine if an error was made. Lenders are required to provide supporting documentation as evidence that any loans identified as being potentially noncompliant meet all requirements of the law. VA will review all documents submitted and provide a final determination of compliance to close out the case. Corrective action and supporting documentation must be uploaded into WebLGY "Correspondence" as Document Association "IRRRL" > Document Type "IRRRL Disclosure Compliance".

**Question 6: After uploading corrective action plans for IRRRLs, how will VA confirm receipt?**

Once corrective action plans are received, VA will respond to lenders via email or USPS.

Generally, the content of the letter will be as follows:

Dear [Lender POC],

We are in receipt of the documentation you submitted regarding the statutory requirements set forth in section 309 of Public Law 115-174. Thank you for your efforts thus far to address and cure any noncompliance.

We have begun reviewing the documentation you submitted. If you have not done so already, please begin implementing your corrective action plan. Any corrective action plan should outline the methods by which you use to cure any non-compliant IRRRLs and notify the involved borrower(s). Note that whatever action is taken to cure the loan, it must not result in any additional costs to the borrower(s). Please provide a cure to the borrower(s) within 60-days of the date of this letter and, upon curing, furnish evidence to VA.

There is no corrective action that can be taken to cure an IRRRL that is not compliant with the Act's loan seasoning requirements. In these cases, VA will allow you to execute an indemnification agreement for the life of the IRRRL, holding VA harmless against any and all claims associated with the guaranty. Should you have any questions on this matter, please feel free to contact me.

Sincerely,